



FINANCE NEWS | VIEWS | CLUES

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BE FINANCE READY IN THE COVID ENVIRONMENT

There is no doubt that as a society we are in a unique and unprecedented time – and there is not a business or family or individual that has not been impacted by the COVID-19 pandemic. While a lot of focus has been on businesses surviving and essentially going into hibernation through this time, and the bank relief packages for both mortgage holders and business owners – we are also in an environment of historically low rates where mortgage holders are looking to take advantage of these low rates and home buyers and investors looking for opportunities to take advantage of a housing market that has softened.

As measures start to ease and individuals and families gain more clarity and certainty we are seeing a lot of refinancing and restructuring of existing facilities and homebuyers and investors seeking approvals to try and take advantage of the market slowdown.

The credit environment has become significantly more complex, with increased scrutiny and changes happening weekly since COVID-19.

We are also navigating valuations coming in softer and some providers not lending to some industries. However, the good news is that for those in a position to access credit, providers are still "open for business", credit can still be accessed at very competitive rates.

Given all these changes, it is timely to share what we are seeing from a lending assessment perspective and how to ensure clients are finance ready!

P 02 9929 4177 F 02 9929 5479
LEVEL 1, 68 ALFRED STREET
MILSONS POINT, NSW 2061
MPOINT.COM.AU

M POINT FINANCIAL SOLUTIONS PTY LTD
CREDIT REPRESENTATIVE 492756 OF BLSSA PTY LTD ACN 117 651 760
AUSTRALIAN CREDIT LICENCE 391237

KEY LENDER CRITERIA WHEN ASSESSING APPLICATIONS

1. GUARANTEED AND STABLE INCOME

Whether an applicant is self-employed or PAYG, assessors are looking to see a secure, consistent and stable income stream.

Through this time, for PAYG applicants' providers may request a letter from the employer to confirm that income is unchanged or, if it has been impacted, how – additionally, some lenders will accept Job-Keeper payments as income.

The use of bonuses and commissions is on an industry by industry basis and dependent on the provider and how reliant the applicant is on these income streams.

2. LIVING EXPENSES

Providers and assessors are taking a much more forensic look at living expenses to understand the applicant's cost of living – both fixed expenses as well as lifestyle. To validate this, they will review up to six months of bank and credit card statements to ensure the applicant's fixed expenses are manageable, particularly if circumstances change.

3. OTHER LOANS AND CREDIT CARDS

Lenders will consider all liabilities that need to be serviced. This will include personal loans, asset finance and credit card limits, as well as any HELP debt owing. It may be that some of these debts are consolidated in the finance process, however it is important to understand the impact these have on an application, in particular high credit card limits that may not be necessary.

4. GENUINE SAVINGS

A key part of being finance ready, especially for owner-occupiers requiring a deposit where equity cannot be released, is to be able to show the ability to consistently save and build savings. Lenders are looking to see that a client can save money and substantial deposit shows this.

5. CREDIT HISTORY

Banks use a credit rating system that includes assessing a client's credit score when processing a loan application. We will check a client's credit score and if there are mistakes, get them fixed, or if there have been issues with late bill payments in the past, it may be prudent to wait until there is a history of on-time repayments.

Comprehensive Credit Reporting (CCR) is now in place and provides a clear picture for lenders on a customer's payment history. For example, if you pay your debts on time, this positive information will be included on your credit file. If you occasionally make a late payment or miss a payment, this will also affect your credit score.

SEEK EXPERT HELP FROM US

M Point Finance is here to provide advice and assistance during this changed Covid environment. Lender Policy is constantly changing but the basic five criteria above are key to any application. As a broker, we ensure we discuss with our clients early on what credit assessors are looking for and what it means to be finance ready.

Reach out to Andrew (alennon@mpoint.com.au) and we can help you navigate through this changing lending environment.